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FISCAL IMPACT STATEMENT

LS 6996 | **NOTE PREPARED:** Jan 25, 2008
BILL NUMBER: HB 1245 | **BILL AMENDED:** Jan 24, 2008

SUBJECT: Transit Districts.

FIRST AUTHOR: Rep. Austin | **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: (Amended) This bill provides that a public transportation corporation located in a county having a consolidated city may receive each year, at the election of the public transportation corporation, 3% of the county's certified distribution of County Option Income Tax revenue for the year.

The bill establishes the Regional Transportation Authority Formation Fund. The bill also provides that a county, city, or town located with in a regional transit authority may establish a transit district to improve transportation infrastructure within the transit district. The bill also provides that a transit district captures a part of the: (1) Sales taxes collected in the transit district; and (2) Adjusted Gross Income tax withheld from the wages of employees that work in the transit district. The bill requires the fiscal body of the unit establishing a transit district to appropriate the captured revenues to the regional transit authority. The bill also requires a regional transit authority to distribute 25% of any funds received from a transit district to the Regional Transportation Authority Formation Fund. The bill provides the fund shall be administered by the Indiana Department of Transportation. This bill requires the money in the fund to be used to make matching grants of up to 20% of the costs incurred by a county or municipality in establishing a regional transportation authority. The bill repeals the automated transit district statute.

Effective Date: July 1, 2008.

Explanation of State Expenditures: (Revised) This bill will increase administrative expenditures of the Department of State Revenue (DOR). The DOR is required under the bill to determine the incremental amounts of Sales Tax and Adjusted Gross Income (AGI) tax collections that must be deposited in the Incremental Tax Financing Fund established under the bill by the Treasurer of State (Treasurer). Therefore, there will also be an indeterminable increase in the administrative expenditures of the Treasurer in being required to establish the Incremental Tax Financing Fund and administering that Fund.

This bill will also increase the expenditures of the Indiana Department of Transportation (INDOT). The bill requires INDOT to administer the Regional Transportation Authority Formation Fund (RTAF Fund) and provide matching grants to entities wishing to establish a regional transportation authority. Any increase in costs will be offset by the provision of the bill allowing payment of these costs from the RTAF Fund.

Explanation of State Revenues: (Revised) This bill will decrease state revenue from Sales Tax and AGI Tax. The amount of the decrease is indeterminable and will ultimately depend upon the number of transit districts established under the bill that would be entitled to receive incremental portions of Sales Tax and AGI Tax collections. The bill provides that the transit district statute only applies to cities, towns, and counties located within the boundaries of a regional transit authority. The bill defines a regional transit authority as either: (1) a regional transportation authority; or (2) the Northwest Indiana Regional Development Authority. There is no limit to the number of districts that may be created within a regional transit authority. INDOT reports that there are only two entities that would currently qualify as regional transit authorities. Under current law, a regional transportation authority may be established by the fiscal body of any county or municipality, but the statute provides that only 1 transportation authority may be established in within an area designated as a transportation planning district by INDOT. According to INDOT there are 14 regional planning districts.

The bill provides that no transit district may receive more than $5 M in deposits over the life of the district. The calculation of the deposits is as follows:

For the Sales Tax the deposit is result of:

(1) the total amount of Sales taxes remitted by businesses operating in the transit district during a state fiscal year; minus

(2) the total amount of Sales taxes remitted by businesses operating in the territory comprising a transit district during the full state fiscal year that precedes the date on which the transit district was established.

For state and local individual income tax the deposit is the result of:

(1) the total amount of the CAGIT, COIT, CEDIT and state AGI taxes paid by employees employed in the transit district with respect to wages and salary earned for work in the transit district during a state fiscal year; minus

(2) both:

(A) total amount of the CAGIT, COIT, CEDIT and state AGI taxes paid by employees employed in the transit district with respect to wages and salary earned for work in the transit district for the state fiscal year that precedes the date on which the transit district was established; and

(B) tax credits awarded by the economic development for a growing economy board under IC 6-3.1-13 to businesses operating in a transit district as the result of wages earned for work in the transit district for the state fiscal year.

The bill also establishes the RTAF Fund to be administered by INDOT and used to provide 20% matching grants to entities for the costs incurred in forming a regional transportation authority. The bill requires regional transit authorities that receive an appropriation from a transit district to deposit 25% of each appropriation in the RTAF Fund. Once the aggregate total of all deposits reaches $1 M the regional transit authorities will no longer be required to make the 25% deposit. The amount of revenue that will be deposited in the RTAF is indeterminable.

Background Information - Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%). Revenue from the AGI Tax on corporations, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures: There could be an increase in expenditures for the county treasurer of a county containing a transit district. The amount of any increase is indeterminable.

Explanation of Local Revenues: (Revised) *Transit Districts* - This bill will cause a decrease in county adjusted gross income tax (CAGIT), county option income tax (COIT), and county economic development income tax (CEDIT) collections. The amount of the decrease is indeterminable and will depend upon the number transit districts established in the state, and the amount of the income tax incremental amount determined by the DOR. The bill also provides that no transit district may receive more than $5 M in deposits over the life of the district.

All state and local tax collections payable to a transit district are required to be deposited in the transit system tax increment fund. Money deposited in the transit system tax increment fund is required to be appropriated to the regional transit authority under which the transit district was created. The money is then required to be used for the purposes of the regional transit authority authorized by the statute creating the authority.

IndyGo COIT Allocation - The bill requires 3% of Marion County's COIT certified distribution to be distributed to IndyGo (the Indianapolis Public Transportation Corporation) beginning July 1, 2008. The distribution to IndyGo would total about $2.7 M during the second half of CY 2008, and is estimated to total about $5.5 M in CY 2009. The amounts distributed to IndyGo would be shifted from COIT certified shares allocated to civil taxing units (not schools) in Marion County. It is estimated that COIT certified distribution to Marion County, including the 3% share for IndyGo, could grow by about 2.8% annually under the 1% COIT rate.

Under current law, Marion County COIT distributive shares are allocated to civil taxing units (not schools) under a formula that applies only in Marion County. The current formula allocates a share of COIT revenue to each township, each of the four excluded cities, and a combined Indianapolis/Marion County. The included towns, libraries, and special taxing units do not directly receive a share of the revenue. The COIT revenue is allocated to receiving units via a formula that is largely based on the maximum levies of those units. The maximum levy used in the formula for Indianapolis/Marion County is equal to the sum of the maximum levies of the city and county, plus all of the civil taxing units that do not receive a direct share.

Current law also provides that the county fiscal body in Marion County may elect to provide revenue to IndyGo from the Marion County COIT certified distribution.

State Agencies Affected: Treasurer of State; Department of State Revenue.

Local Agencies Affected: Cities, towns, and counties.

Information Sources: Charlene Parrish, Indiana Department of Transportation, 317-232-5117.

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